



Ninety-Eighth Legislature - First Session - 2003
Introducer's Statement of Intent
LB 487

Chairperson: Mark Quandahl
Committee: Banking, Commerce and Insurance
Date of Hearing: February 11, 2003

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

This model act regarding the use of credit information in personal insurance is the product of over two years of work by the National Conference of Insurance Legislators (NCOIL).

The use of insurance scores has been controversial ever since actuaries identified credit information as a factor in risk exposure. Computer models calculate risk by weighting numerous factors to achieve an algorithmic score.

LB 487 provides several protections for consumers. Prohibitions include:

- Insurance scores calculated using income, gender, address, zip code, ethnic group, religion, marital status, or nationality;
- Denial, cancellation, or refusal to renew policies based solely on the basis of credit information;
- Renewal rates based solely on credit information;
- Adverse action solely because the applicant does not have a credit card account;
- Using an absence of credit information in an underwriting decision;
- Adverse action based on credit information obtained more than 90 days prior;
- Use of credit information unless it is recalculated every 36 months and allows the insured to request rerating every 12 months at annual renewal;
- Use of credit inquiries not initiated or requested by the consumer, inquiries related to insurance coverage, collection accounts with a medical code, multiple lender inquiries for home mortgages, multiple lender inquiries for automobile loans.

LB 487 also provides recourse for errors in credit reports discovered by the consumer and re-rating after correction of any error.

The insurer must disclose to the consumer that they may review credit reports and use an insurance score in rating decisions. They must provide notification of any adverse action, including a description of up to four factors that were the primary influences for the adverse action.

Data submitted by the insurer to the credit reporting agency may not be sold or provided to a third party in whole or in part.

Insurers must file their scoring models with the Department of Insurance.

Principal Introducer:

Senator Pamela A. Redfield